Kgatelopele Local Municipality
(Registration number NC086)
Financial statements
for the year ended 30 June 2014
Auditor - General

General Information

Nature of business and principal activities	Local Municipal function as set out in the Constituition. (Act no. 117 of 1996)
Full Time Mayor	KG KGORONYANE
Ward Councillors	PM MGCERA
	YJ KERNEELS
	WH CORNELLISEN
	GP McCARTHY
	AS ADAMS
	AJ VISSER
	OH SEHULARO
Grading of local authority	CATEGORY B
Registered address	PO Box 47 Danielskuil 8450
Accounting Officer	AM Motswana
Chief Financial Officer (CFO)	PJ Booysen
Bankers	First National Bank
Auditors	Auditor - General
Attorneys	Oban & Cronjé Van der Wall & Partners
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Municipal Finance Management Act, 56 of 2003.

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The reports and statements set out below comprise the financial statements presented to the :

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I am responsible for the preparation of these financial statements, whice are set out on page 1 to 59 in terms of section 126 (10 of the Municipal Finance Management Act and whic I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 35 of these financial statements are whitin the upper limits of the framework envisaged in Section 219 of the Constitution, read with the remuneration of Public Offi Bearer Act and the Minister of Provincial and Local Government's determination inaccordance with this Act.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The financial statements set out on pages 6 to 54, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on its behalf by:

Accounting Officer

Daniëlskuil

30 November 2014

Report of the Auditor General

To the of Kgatelopele Local Municipality

Report on the financial statements

I have audited the accompanying financial statements of the Kgatelopele Local Municipality which comprise the statement of financial position as at 30 June 2014, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the [directors' / accounting officer's / accounting authority's] report, as set out on pages 6 to 53.

Auditor - General

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer did not have any interest in contracts of the municipality.

5. Accounting Officer

Name	Nationality	Changes
AM Motswana	RSA	Appointed 1 July 2013

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Inventories	6	505 383	-
Receivables from non-exchange transactions	7	5 061 842	3 878 792
VAT receivable	8	4 313 454	1 721 142
Consumer debtors	9	1 627 856	1 364 868
Cash and cash equivalents	10	1 127 272	9 695 807
		12 635 807	**16 660 609**
Non-Current Assets			
Investment property	3	5 425 980	5 505 000
Property, Plant and Equipment	4	165 593 147	165 677 103
Intangible assets	5	22 350	44 700
		171 041 477	**171 226 803**
Total Assets		**183 677 284**	**187 887 412**
Liabilities			
Current Liabilities			
Unspent conditional grants and receipts	11	1 597 710	9 164 048
Provisions	13	1 415 827	1 277 530
Payables from exchange transactions	14	8 739 824	6 132 449
Taxes and transfers payable (non-exchange)	15	164 820	1 952 222
VAT payable		-	-
Consumer deposits	16	326 382	281 441
Current Portion of Long Term Liabilities		1 163 819	1 107 174
Debtors with Credit Balances		307 900	443 434
		13 716 282	**20 358 298**
Non-Current Liabilities			
Other financial liabilities	12	1 870 511	3 021 405
Provisions	13	3 117 614	2 935 065
		4 988 125	**5 956 470**
Total Liabilities		**18 704 407**	**26 314 768**
Net Assets		**164 972 877**	**161 572 644**
Accumulated surplus		164 972 877	161 572 644
		164 972 877	161 572 644
Total Net Assets		**164 972 877**	**161 572 644**

* See Note 2 & 38

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue	18	66 299 305	52 619 071
Other income		2 184 295	2 772 400
Operating expenses		(66 081 195)	(63 851 577)
Operating surplus (deficit)		**2 402 405**	**(8 460 106)**
Investment revenue	27	1 135 531	412 236
Fair value adjustments		148 777	65 875
Finance costs	29	(286 481)	(328 821)
Surplus (deficit) for the year		**3 400 232**	**(8 310 816)**

* See Note 2 & 38

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	75 556 356	75 556 356
Adjustments		
Correction of errors	94 327 104	94 327 104
Balance at 01 July 2012 as restated*	**169 883 460**	**169 883 460**
Changes in net assets		
Surplus for the year	(8 310 816)	(8 310 816)
Total changes	(8 310 816)	(8 310 816)
Opening balance as previously reported	76 285 488	76 285 488
Adjustments		
Correction of errors	(9 039 947)	(9 039 947)
Prior year adjustments	94 327 104	94 327 104
Restated* Balance at 01 July 2013 as restated*	**161 572 645**	**161 572 645**
Changes in net assets		
Surplus for the year	3 400 232	3 400 232
Total changes	3 400 232	3 400 232
Balance at 30 June 2014	**164 972 877**	**164 972 877**

Note(s)

* See Note 2 & 38

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Taxation		1 049 174	354 652
Sale of goods and services		26 238 979	22 959 817
Grants		27 973 121	26 190 107
Interest income		1 135 531	412 236
		56 396 805	49 916 812
Payments			
Employee costs		(16 311 256)	(14 911 189)
Suppliers		(36 317 457)	(22 058 474)
Finance costs		(286 481)	(328 821)
		(52 915 194)	(37 298 484)
Net cash flows from operating activities	34	**3 481 611**	**12 618 328**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(10 969 140)	(7 336 701)
Purchase of other intangible assets	5	-	(67 050)
Prior Period Error		-	(1 547 174)
Net cash flows from investing activities		**(10 969 140)**	**(8 950 925)**
Cash flows from financing activities			
Repayment of other financial liabilities		(1 002 117)	(1 094 678)
Short Term Portion of Loan		56 645	(789 119)
Movement in unallocated credits		(135 534)	(595 944)
Net cash flows from financing activities		**(1 081 006)**	**(2 479 741)**
Net increase/(decrease) in cash and cash equivalents		**(8 568 535)**	**1 187 662**
Cash and cash equivalents at the beginning of the year		9 695 807	8 508 145
Cash and cash equivalents at the end of the year	10	**1 127 272**	**9 695 807**

* See Note 2 & 38

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	32 339 056	(1 048 783)	**31 290 273**	28 527 622	**(2 762 651)**	
Fees earned	691 936	24 599	**716 535**	912 568	**196 033**	
Commissions received	-	-	**-**	6 800	**6 800**	
Rental income	129 601	(97 257)	**32 344**	321 274	**288 930**	
Other income - (rollup)	565 069	(24 580)	**540 489**	943 653	**403 164**	
Interest received - investment	26 455	-	**26 455**	1 135 531	**1 109 076**	
Total revenue from exchange transactions	**33 752 117**	**(1 146 021)**	**32 606 096**	**31 847 448**	**(758 648)**	
Revenue from non-exchange transactions						
Taxation revenue						
Direct taxes (Fines)	16 725	(5 600)	**11 125**	24 232	**13 107**	
Property rates	3 350 163	504 386	**3 854 549**	3 452 723	**(401 826)**	
Government grants & subsidies	28 719 000	5 091 000	**33 810 000**	34 294 728	**484 728**	
Total revenue from non-exchange transactions	**32 085 888**	**5 589 786**	**37 675 674**	**37 771 683**	**96 009**	
Total revenue	**65 838 005**	**4 443 765**	**70 281 770**	**69 619 131**	**(662 639)**	
Expenditure						
Personnel	(14 763 908)	(74 365)	**(14 838 273)**	(14 189 312)	**648 961**	
Remuneration of councillors	(2 127 219)	-	**(2 127 219)**	(2 121 944)	**5 275**	
Depreciation and amortisation	(5 458 048)	-	**(5 458 048)**	(11 154 464)	**(5 696 416)**	
Impairment loss/ Reversal of impairments	(5 856 589)	-	**(5 856 589)**	(1 617 638)	**4 238 951**	
Finance costs	(1 296 000)	-	**(1 296 000)**	(286 481)	**1 009 519**	
Debt impairment	-	-	**-**	(4 022 020)	**(4 022 020)**	
Repairs and maintenance	(2 520 952)	(24 816)	**(2 545 768)**	(1 442 463)	**1 103 305**	
Bulk purchases	(13 766 690)	-	**(13 766 690)**	(12 755 592)	**1 011 098**	
Contracted Services	(3 402 767)	-	**(3 402 767)**	(3 408 647)	**(5 880)**	
Grants and subsidies paid	(15 210 620)	2 981 620	**(12 229 000)**	(7 256 541)	**4 972 459**	
General Expenses	(9 276 353)	514 937	**(8 761 416)**	(8 112 574)	**648 842**	
Total expenditure	**(73 679 146)**	**3 397 376**	**(70 281 770)**	**(66 367 676)**	**3 914 094**	
Operating surplus	**(7 841 141)**	**7 841 141**	**-**	**3 251 455**	**3 251 455**	
Fair value adjustments	-	-	**-**	148 777	**148 777**	
Surplus before taxation	**(7 841 141)**	**7 841 141**	**-**	**3 400 232**	**3 400 232**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(7 841 141)**	**7 841 141**	**-**	**3 400 232**	**3 400 232**	
Reconciliation						

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2014											
Financial Performance											
Property rates	3 350 163	504 386	3 854 549	-		3 854 549	3 452 723		(401 826)	90 %	103 %
Service charges	32 339 056	(1 048 783)	31 290 273	-		31 290 273	28 527 622		(2 762 651)	91 %	88 %
Investment revenue	26 455	-	26 455	-		26 455	1 135 531		1 109 076	4 292 %	4 292 %
Transfers recognised - operational	18 821 000	-	18 821 000	-		18 821 000	17 874 882		(946 118)	95 %	95 %
Other own revenue	1 403 331	(102 838)	1 300 493	-		1 300 493	2 357 304		1 056 811	181 %	168 %
Total revenue (excluding capital transfers and contributions)	**55 940 005**	**(647 235)**	**55 292 770**	**-**		**55 292 770**	**53 348 062**		**(1 944 708)**	**96 %**	**95 %**
Employee costs	(14 763 908)	(74 365)	(14 838 273)	-	-	(14 838 273)	(14 189 312)	-	648 961	96 %	96 %
Remuneration of councillors	(2 127 219)	-	(2 127 219)	-	-	(2 127 219)	(2 121 944)	-	5 275	100 %	100 %
Debt impairment	-	-	-			-	(4 022 020)	-	(4 022 020)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(11 314 637)	-	(11 314 637)			(11 314 637)	(12 772 102)	-	(1 457 465)	113 %	113 %
Finance charges	(1 296 000)	-	(1 296 000)	-	-	(1 296 000)	(286 481)	-	1 009 519	22 %	22 %
Materials and bulk purchases	(13 766 690)	-	(13 766 690)	-	-	(13 766 690)	(12 755 592)	-	1 011 098	93 %	93 %
Transfers and grants	(15 210 620)	2 981 620	(12 229 000)	-	-	(12 229 000)	(7 256 541)	-	4 972 459	59 %	48 %
Other expenditure	(15 200 072)	490 121	(14 709 951)	-	-	(14 709 951)	(12 963 684)	-	1 746 267	88 %	85 %
Total expenditure	**(73 679 146)**	**3 397 376**	**(70 281 770)**	**-**	**-**	**(70 281 770)**	**(66 367 676)**	**-**	**3 914 094**	**94 %**	**90 %**
Surplus/(Deficit)	**(17 739 141)**	**2 750 141**	**(14 989 000)**	**-**		**(14 989 000)**	**(13 019 614)**		**1 969 386**	**87 %**	**73 %**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	9 898 000	5 091 000	14 989 000	-		14 989 000	16 419 846		1 430 846	110 %	166 %
Surplus (Deficit) after capital transfers and contributions	**(7 841 141)**	**7 841 141**	**-**	**-**		**-**	**3 400 232**		**3 400 232**	**DIV/0 %**	**(43)%**
Surplus/(Deficit) for the year	**(7 841 141)**	**7 841 141**	**-**	**-**		**-**	**3 400 232**		**3 400 232**	**DIV/0 %**	**(43)%**
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	10 969 140		10 969 140	DIV/0 %	DIV/0 %
Cash flows											
Net cash from (used) operating	-	-	-	-		-	3 481 611		3 481 611	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(10 969 140)		(10 969 140)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(1 081 006)		(1 081 006)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**(8 568 535)**		**(8 568 535)**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	9 695 807		9 695 807	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**-**	**-**	**-**		**-**	**1 127 272**		**(1 127 272)**	**DIV/0 %**	**DIV/0 %**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note .

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.2 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

1.3 Property, Plant and Equipment

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.3 Property, Plant and Equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, Plant and Equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, Plant and Equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	25 Years
Plant and machinery	5 Years
Furniture and fixtures	5 Years
Motor vehicles	5 Years
IT equipment	3 Years
Computer software	3 Years
Infrastructure	10 - 20 Years
Community	25 Years
Other property, plant and equipment	5 Years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Property, Plant and Equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life

1.4 Intangible assets (continued)

Computer software, other	3 years

1.5 Financial instruments

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Accounting Policies

1.7 Impairment of non-cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.7 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.7 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity’s own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.9 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Long service awards

The contractual agreement, binding arrangement or stated policy for charging the net defined benefit cost is: [provide details] OR There is no contractual agreement, binding arrangement or stated policy for charging the net defined benefit cost.

The policy for determining the contribution to be paid by the entity is as follows: [provide details]

1.9 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.10 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.10 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.10 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.7.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.11 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.12 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

1.12 Revenue from non-exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.12 Revenue from non-exchange transactions (continued)

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Accounting Policies

1.18 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.20 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2013 to 30/06/2014.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Figures in Rand	2014	2013

2. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- Grap 104, Financial Instruments - Debtors and Revenue have been retrospectively commencing 1 July 2013 restated to disclose the effect of Discounting.

3. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 584 020	(158 040)	5 425 980	5 584 020	(79 020)	5 505 000

Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	5 505 000	(79 020)	5 425 980

Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	5 584 020	(79 020)	5 505 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

4. Property, Plant and Equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	7 087 672	(157 056)	6 930 616	6 493 659	(131 480)	6 362 179
Infrastructure	165 611 262	(10 680 701)	154 930 561	166 660 670	(10 675 794)	155 984 876
Community	3 074 071	(101 639)	2 972 432	3 175 710	(101 639)	3 074 071
Other property, plant and equipment	871 835	(112 297)	759 538	746 831	(490 854)	255 977
Total	**176 644 840**	**(11 051 693)**	**165 593 147**	**177 076 870**	**(11 399 767)**	**165 677 103**

Notes to the Financial Statements

Figures in Rand	2014	2013

4. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Depreciation	Total
Buildings	6 362 179	725 494	(157 057)	6 930 616
Infrastructure	155 984 876	9 626 387	(10 680 702)	154 930 561
Community	3 074 071	-	(101 639)	2 972 432
Other property, plant and equipment	255 977	617 259	(113 698)	759 538
	165 677 103	**10 969 140**	**(11 053 096)**	**165 593 147**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Total
Buildings	5 789 179	704 480	(131 480)	6 362 179
Infrastructure	160 090 436	6 570 234	(10 675 794)	155 984 876
Community	3 175 710	-	(101 639)	3 074 071
Other property, plant and equipment	684 844	61 987	(490 854)	255 977
	169 740 169	**7 336 701**	**(11 399 767)**	**165 677 103**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2014			2013		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	44 700	(22 350)	22 350	67 050	(22 350)	44 700

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software, other	44 700	(22 350)	22 350

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	67 050	(22 350)	44 700

6. Inventories

	2014	2013
Maintenance materials and Stationary	505 383	-

No stock take was performed in the prior year thus no comparitive value is available for Inventory on hand at 30 June 2013.

Notes to the Financial Statements

Figures in Rand	2014	2013

7. Receivables from non-exchange transactions

Impairment - Other Taxes	(4 405 211)	(3 508 965)
Housing Project	-	348 485
Other taxes	9 467 053	7 039 272
	5 061 842	**3 878 792**

8. VAT receivable

VAT	4 313 454	1 721 142

9. Consumer debtors

Gross balances		
Electricity	2 277 150	1 811 734
Water	7 862 490	8 286 403
Sewerage	2 990 246	2 865 676
Refuse	2 938 580	2 347 647
Housing rental	13 981	5 121
Sundries & VAT	2 769 646	2 449 670
	18 852 093	**17 766 251**
Less: Allowance for impairment		
Electricity	(1 622 130)	(1 171 940)
Water	(7 662 584)	(8 033 005)
Sewerage	(2 860 234)	(2 741 797)
Refuse	(2 642 819)	(2 188 333)
Sundries & VAT	(2 436 470)	(2 266 308)
	(17 224 237)	**(16 401 383)**
Net balance		
Electricity	655 020	639 794
Water	199 906	253 398
Sewerage	130 012	123 879
Refuse	295 761	159 314
Housing rental	13 981	5 121
Sundries & VAT	333 176	183 362
	1 627 856	**1 364 868**

Notes to the Financial Statements

Figures in Rand	2014	2013

9. Consumer debtors (continued)

Rates		
Current (0 -30 days)	660 347	484 016
31 - 60 days	590 143	409 935
61 - 90 days	526 245	390 112
91 - 120 days	422 579	327 873
121 - 365 days	2 862 528	2 266 856
	5 061 842	**3 878 792**
Electricity		
Current (0 -30 days)	510 303	459 513
31 - 60 days	144 717	180 281
	655 020	**639 794**
Water		
Current (0 -30 days)	199 906	253 398
Sewerage		
Current (0 -30 days)	130 012	115 847
31 - 60 days	-	8 032
	130 012	**123 879**
Refuse		
Current (0 -30 days)	282 163	118 149
31 - 60 days	13 598	41 165
	295 761	**159 314**
Housing rental		
Current (0 -30 days)	13 981	5 121
Sundries & VAT		
Current (0 -30 days)	333 176	183 362
Reconciliation of allowance for impairment		
Balance at beginning of the year	(19 910 317)	(7 034 646)
Debt impairment written off against allowance	(1 719 100)	(12 875 671)
Reversal of allowance	-	-
	-	-
	(21 629 417)	**(19 910 317)**

Notes to the Financial Statements

Figures in Rand	2014	2013

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 127 272	9 695 807

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
First National BANK - Branch: Danielskuil Account Number; 62067443582	-	1 034	1 000	34	1 034	1 000
First National BANK - Branch: Danielskuil Account Number; 62021476313	1 162 874	8 084 806	7 925 456	1 162 874	8 084 806	7 925 456
First National BANK - Branch: Danielskuil Account Number; 620288354562	-	1 000	1 000	-	1 000	1 000
First National BANK - Branch: Danielskuil Account Number; 62070625016	-	1 000	993 548	-	1 000	993 548
First National BANK - Branch: Danielskuil Account Number; 62076024571	-	1 000	1 000	(144)	856	1 000
First National BANK - Branch: Danielskuil Account Number; 62260630829	-	939	1 000	-	1 000	1 000
First National BANK - Branch: Danielskuil Account Number; 62260631918	-	1 000	1 000	-	1 000	1 000
First National BANK - Branch: Danielskuil Account Number; 62289228548	-	1 000	257 778	-	1 000	257 778
First National BANK - Branch: Danielskuil Account Number; 62289233547	-	1 000	1 000	-	1 000	1 000
First National BANK - Branch: Danielskuil Account Number; 62289312094	-	1 000	54 278	-	1 000	54 278
First National BANK - Branch: Danielskuil Account Number; 62289352727	-	1 000	1 000	-	1 000	1 000
First National Bank - Branch: Danielskuil Account Number; 52003878794	954 382	1 601 111	189 062	(35 492)	1 601 111	101 029
Total	**2 117 256**	**9 695 890**	**9 427 122**	**1 127 272**	**9 695 807**	**9 339 089**

Notes to the Financial Statements

Figures in Rand	2014	2013

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG	1 106 800	9 164 048
Housing Grant	66 792	-
Library Grant	424 118	-
	1 597 710	**9 164 048**

Movement during the year

Balance at the beginning of the year	9 164 048	7 700 000
Additions during the year	7 429 389	9 373 000
Income recognition during the year	(14 995 727)	(7 908 952)
	1 597 710	**9 164 048**

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 21 for reconciliation of grants from National/Provincial Government.

These amounts are mostly invested in a ring-fenced investment until utilised.

12. Other financial liabilities

At amortised cost		
DBSA loan	1 870 511	3 021 405
Repayable in monthly instalments of R107 798 at a prime-related rate.		

Non-current liabilities		
At amortised cost	1 870 511	3 021 405

Notes to the Financial Statements

Figures in Rand	2014	2013

13. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Bad Debts	1 179	-	1 179
Bonus provision	458 527	132 075	590 602
Landfill site Rehabilitation	1 966 065	104 549	2 070 614
Employee benefit cost	969 000	78 000	1 047 000
Leave provision	817 824	6 222	824 046
	4 212 595	**320 846**	**4 533 441**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Bad Debts	1 179	-	1 179
Bonus provision	295 284	163 243	458 527
Landfill Site Rehabilitation	1 864 527	101 538	1 966 065
Employee Long Service Awards	859 000	110 000	969 000
Leave provision	801 699	16 125	817 824
	3 821 689	**390 906**	**4 212 595**

	2014	2013
Non-current liabilities	3 117 614	2 935 065
Current liabilities	1 415 827	1 277 530
	4 533 441	**4 212 595**

Land Fill Site - Rehabilitation

An expert was appointed to calculate the estimated costs the muncipality will incur in present terms to rehabilitate the current land fill site in term of legislation. The expense will be incurred some time in the next 7 years and is adjusted annualy for the effect of inflation.

Bonus Provision

A provision was raised based on basic salaries of employees at 30 June 2014 for the pro rata portion of the bonus entitlement at 30 November 2014.

Employee benefit cost provision

Actuaries were appointed to calculate the present liability and current service and interest cost of providing Long Service Benefits as prescibed by the present Bargaining Council Agreement.

Assumptions had to be made about mortalties, resignations, inflation and salary levels in order to arrive at an estimate. The liability will be settled only when employees become entitled to the relevant reward.

No assets exist to specifically cover this liability.

Leave Provision

Provision was made for oustanding leave days valued at the current total cost-to-company of the respective employees. The liability will be settled as leave days are taken or on resignation/death of an employee. The timing remains unsure.

Figures in Rand	2014	2013

14. Payables from exchange transactions

Trade payables	7 652 168	4 785 385
Prepaid electricity sold not utilized	158 403	132 528
Unallocated receipts	779 694	396 627
Payments received in advanced	365 759	484 060
Other creditors	(216 200)	333 849
	8 739 824	**6 132 449**

15. Taxes and transfers payable (non-exchange)

Transfers payable	-	1 803 000
Unallocated receipts	164 820	149 222
	164 820	**1 952 222**

16. Consumer deposits

Consumer deposits	326 382	281 441

17. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At fair value	**Total**
Other receivables from non-exchange transactions	5 061 842	5 061 842
Consumer debtors	1 627 856	1 627 856
Cash and cash equivalents	1 127 272	1 127 272
VAT	4 313 454	4 313 454
	12 130 424	**12 130 424**

Financial liabilities

	At fair value	**Total**
Other financial liabilities	1 870 511	1 870 511
Trade and other payables from exchange transactions	8 739 824	8 739 824
Taxes and transfers payable (non-exchange)	164 820	164 820
Current Portion of Long Term Liabilities	1 163 819	1 163 819
Debtors with Credit Balances	307 900	307 900
	12 246 874	**12 246 874**

2013

Financial assets

	At fair value	**Total**
Other receivables from non-exchange transactions	3 878 792	3 878 792
Consumer debtors	1 364 868	1 364 868
Cash and cash equivalents	9 695 807	9 695 807
VAT	1 721 142	1 721 142
	16 660 609	**16 660 609**

Financial liabilities

Figures in Rand	2014	2013

. **Financial instruments disclosure (continued)**

	At fair value	Total
Other financial liabilities	3 021 405	3 021 405
Trade and other payables from exchange transactions	6 132 449	6 132 449
Taxes and transfers payable (non-exchange)	1 952 222	1 952 222
Debtors with Credit Balances	443 434	443 434
Current Portion of Long Term Liabilities	1 107 174	1 107 174
	12 656 684	**12 656 684**

Financial instruments in Statement of financial performance

2014

	At fair value	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	-	336 326	336 326
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	-	(286 481)	(286 481)
Interest income on impaired financial assets	799 205	-	799 205
	799 205	**49 845**	**849 050**

2013

	At fair value	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	-	52 631	52 631
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	-	(328 821)	(328 821)
Interest income on impaired financial assets	359 605	-	359 605
	359 605	**(276 190)**	**83 415**

18. Revenue

	2014	2013
Service charges	28 527 622	24 166 249
Fees earned	912 568	878 842
Commissions received	6 800	275 950
Rental income	321 274	274 131
Other income	943 653	1 343 477
Interest received - investment	1 135 531	412 236
Direct taxes (Fines)	24 232	14 469
Property rates	3 452 723	1 927 401
Government grants & subsidies	34 294 728	26 510 952
	69 619 131	**55 803 707**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	28 527 622	24 166 249
Vehicle registrations	912 568	878 842
Commissions received	6 800	275 950
Other income	943 653	1 343 477
Rental income	321 274	274 131
Interest received - investment	1 135 531	412 236
	31 847 448	**27 350 885**

Notes to the Financial Statements

Figures in Rand	2014	2013

18. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Direct taxes (Fines)	24 232	14 469
Property rates	3 452 723	1 927 401
Transfer revenue		
Government grants & subsidies	34 294 728	26 510 952
	37 771 683	**28 452 822**

19. Property rates

Rates received

Commercial	757 298	-
Industrial	98 772	-
Residential	4 502 666	5 857 377
Mining	2 578 013	-
Rezoning	25 154	1 930
Small holdings and farms	207 041	-
State	217 883	-
Less: Income forgone	(4 934 104)	(3 931 906)
	2 596 653	1 927 401
	3 452 723	**1 927 401**

20. Service charges

Sale of electricity	13 214 370	12 200 974
Sale of water	6 117 078	4 957 236
Solid waste	5 356 401	3 954 937
Sewerage and sanitation charges	3 839 773	3 053 102
	28 527 622	**24 166 249**

Notes to the Financial Statements

Figures in Rand	2014	2013

21. Government grants and subsidies

Operating grants		
Equitable share	15 302 000	14 659 000
FMG	1 650 000	1 500 000
MSIG	890 000	800 000
Library	32 882	-
Health	-	643 000
	17 874 882	17 602 000
Capital grants		
MIG	11 055 249	7 908 952
EPWP	1 000 000	1 000 000
RDP Housing Grant	4 364 597	-
	16 419 846	8 908 952
	34 294 728	**26 510 952**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	18 992 728	11 208 952
Unconditional grants received	15 302 000	14 659 000
	34 294 728	**25 867 952**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R - (2013: R -), which is funded from the grant.

Municipal Infrastructure Grant

Balance unspent at beginning of year	9 164 048	7 700 000
Current-year receipts	2 998 000	9 373 000
Conditions met - transferred to revenue	(11 055 249)	(7 908 952)
	1 106 799	**9 164 048**

Conditions still to be met - remain liabilities (see note 11).

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grants was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

Rollover was requested for the year 2014/15.

Municipal Systems Improvement Grant

Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(890 000)	(800 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

Notes to the Financial Statements

Figures in Rand	2014	2013

21. Government grants and subsidies (continued)

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act, and related Legislation, policies and the local government turnaround strategy. Amount commited for valuation roll to be paid out once all apeals are dealt with.

Housing Grant

Current-year receipts	4 431 389	-
Conditions met - transferred to revenue	(4 364 597)	-
	66 792	**-**

Conditions still to be met - remain liabilities (see note 11).

The purpose of the grant is to build RDP housing for identified beneficiaries..

EPWP

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

The grant is to be utilised for salary expenses in regards to the expanded Public Works Program. The grant is in regards to a national cleaning campaig

Library Grant

Current-year receipts	457 000	-
Conditions met - transferred to revenue	(32 882)	-
	424 118	**-**

Conditions still to be met - remain liabilities (see note 11).

The grant is to be utilised for the programme cost of the the library and other costs as per the library proposal.

22. Other income

Sundry income	18 334	14 131
Salary income	203 360	92 129
Insurance Claim Paid	467 976	882 947
General income	212 729	231 092
Camp Hire	8 296	123 178
Insurance claims	10 999	-
Repairs to Electrical installations	21 959	-
	943 653	**1 343 477**

Notes to the Financial Statements

Figures in Rand	2014	2013

23. General expenses

Advertising	52 984	30 331
Auditors remuneration	1 327 036	654 364
Bank charges	236 488	203 150
Cleaning and Chemicals	296 469	610 646
Commission paid	3 304	-
Community development and training	46 827	342 313
Conferences and seminars	20 085	-
Consulting Fees	104 549	101 538
Consulting and professional fees	1 779 653	1 761 046
Entertainment	3 502	2 253
Fruitless and Wasteful Expenditure	224 850	142 963
Fuel and oil	727 033	635 058
IT expenses	19 328	41 971
Insurance	411 014	342 109
Lease rentals on operating lease	39 387	63 794
Medical expenses	8 846	15 013
Other Expenses	242 222	296 942
Postage and courier	119 617	166 355
Printing and stationery	178 648	236 373
Promotions and sponsorships	837 361	461 531
Protective clothing	-	2 669
Security (Guarding of municipal property)	148 645	-
Subscriptions and membership fees	450 000	400 000
Telephone and fax	297 506	299 454
Training	56 899	94 877
Travel - local	476 163	963 999
Valuation Expenses	4 158	88 316
	8 112 574	**7 957 065**

Notes to the Financial Statements

Figures in Rand	2014	2013

24. Employee related costs

Basic	9 610 833	8 274 136
Bonus	614 279	559 318
Medical aid - company contributions	619 597	604 555
UIF	93 970	81 350
SDL	117 329	77 261
Other payroll levies	5 671	5 219
Leave pay provision charge	-	20 626
Group Insurance	11 786	12 565
Standby Allowances	74 772	95 321
Defined contribution plans	1 285 778	1 195 713
Travel, motor car, accommodation, subsistence and other allowances	508 048	621 509
Overtime payments	848 814	842 265
Long-service awards	180 898	138 190
Acting allowances	19 379	93 224
Housing benefits and allowances	61 532	17 020
Other Employee Related Benefits	4 551	-
	14 057 237	**12 638 272**

Remuneration of municipal manager

Annual Remuneration	496 973	128 279
Car Allowance	186 360	65 575
Contributions to UIF, Medical and Pension Funds	14 634	-
Other	4 054	-
	702 021	**193 854**

Remuneration of chief finance officer

Annual Remuneration	225 000	375 293
Car Allowance	75 000	124 992
Contributions to UIF, Medical and Pension Funds	892	1 712
	300 892	**501 997**

Remuneration of Manager Corporate Services

Annual Remuneration	-	369 293
Car Allowance	-	119 807
Performance Bonuses	-	26 122
Contributions to UIF, Medical and Pension Funds	-	101 150
	-	**616 372**

Position is currently vacant

25. Remuneration of councillors

Mayor	666 793	654 966
Councillors	1 455 151	1 454 708
	2 121 944	**2 109 674**

Notes to the Financial Statements

Figures in Rand	2014	2013

25. Remuneration of councillors (continued)

In-kind benefits

The Mayor is full time and is provided with an office and secretarial support at the most of the Council.

The Mayor has the use of separate Council owned vehicles for official duties.

The Mayor has a full-time driver.

26. Debt impairment

Debts impaired	4 022 020	-

27. Investment revenue

Interest revenue		
Bank	336 326	52 631
Interest charged on trade and other receivables	799 205	359 605
	1 135 531	**412 236**

The amount included in Investment revenue arising from exchange transactions amounted to R 1 135 531.

The amount included in Investment revenue arising from non-exchange transactions amounted to R -.

28. Depreciation and amortisation

Property, Plant and Equipment	11 154 464	11 501 138

29. Finance costs

Current borrowings	200 481	254 821
Fair value adjustments: Notional interest	86 000	74 000
	286 481	**328 821**

30. Auditors' remuneration

Fees	1 327 036	654 364

31. Contracted services

Other Contractors	3 408 647	2 924 346

32. Grants and subsidies paid

Other subsidies		
Municipal Systems Improvement Grant (MSIG)	594 656	815 811
Finance Management Grant (FMG)	2 016 713	1 452 371
Build 100 Houses	-	133 367
Potholes EPWP Projects	468 093	507 289
Build RDP Houses	4 177 079	-
	7 256 541	**2 908 838**

Notes to the Financial Statements

Figures in Rand	2014	2013

33. Bulk purchases

Electricity	12 755 592	12 263 853

34. Cash generated from operations

Surplus (deficit)	3 400 232	(8 310 816)
Adjustments for:		
Depreciation and amortisation	11 154 464	11 501 138
Fair value adjustments	(148 777)	(65 875)
Interest income	-	-
Finance costs	-	-
Impairment deficit	1 617 638	9 523 796
Debt impairment	4 022 020	-
Movements in provisions	320 845	392 085
Changes in working capital:		
Inventories	(505 383)	-
Receivables from exchange transactions	(1 617 638)	(9 523 796)
Consumer debtors	(4 285 008)	7 266 106
Other receivables from non-exchange transactions	(1 183 050)	233 889
Payables from exchange transactions	2 607 379	4 879 290
VAT	(2 592 312)	(3 097 125)
Taxes and transfers payable (non exchange)	(1 787 402)	1 949 690
Unspent conditional grants and receipts	(7 566 338)	(2 141 952)
Consumer deposits	44 941	11 898
	3 481 611	**12 618 328**

35. Commitments

Authorised expenditure

Already contracted for but not provided for		
• Infrastructure (Capital)	11 369 273	5 735 639
• Contracted Service (Operational)	4 688 255	3 330 284
	16 057 528	**9 065 923**

Not yet contracted for and authorised by accounting officer		
• Infrastructure (Capital)	82 019 166	12 118 363

This committed expenditure relates to items as specified above and will be financed by available bank facilities, retained surpluses, income and grants.

Figures in Rand	2014	2013

36. Contingencies

1 Maximum Profit Recovery (Pty) Ltd (Plaintiff) Vrs Municipality (Defendant). The plaintiff is suing the municipality for an amount of R735 518.73 for work done on VAT review. The municipality did not want to pay the company since SARS seems to have received wrong information as at 2008. The outcome of the case is uncertain.
2. Mr Omphemtse Piet George (Plaintiff) Vrs Mayor and Municipality (Defendant). The plaintiff was a temporary driver of the mayor from June 2011 to July 2011. He was paid per kilometer travelled. He wants the municipality to pay him additional R21 779.00 with an interest of 15.5% per year till the case is finished. The outcome of the case is uncertain.
3. Arch Actuarial Consulting (Plaintiff) Vrs Municipality (Defendant). The plaintiff was employed to prepare the long service award liability valuation and post-employment medical aid liability as at 30-06-2011. The plaintiff is suing for total cost of R33 060.00 as payment. The outcome of the case is uncertain.
4. Risoluzione Solutions vs Municipality (Defendant). The plaintiff is suing the municipality for an amount of R800 000 for breach of contract . Their financial statement consulting services contract was terminated pre-maturely. The outcome of the case is uncertain.
5. WD Beaton vs Municipality (Defendant). The plaintiff is suing the municipality for R52000 that he alledges was paid for camp rental in advance, which camp he never got the use off. The amount was offset against an Mr Beaton's outstanding account for rates. He wants the R52000 returned. The outcome of the case is uncertain.
6. M Kotze vs Municipality (Defendant). The plaintiff was acting as the CFO of the municipality for 18 months but he was not appointed permanently when the position became available. He is claiming on the basis of unfair labour practice.

37. Related parties

Relationships

Accounting Officer	AM Motswana
Members of key management	PJ Booysen (CFO)

38. Prior period errors

Property, Plant and Equipment
Infrastructure expenditure was previously written off as expenditure instead of capitalised

Investment Property

Investment property was previously not separately disclosed

Intangibles

Intangibles were previously not depreciated.

Receivables from non- Exchange Transactions and Consumer Debtors
Various system problems in 2012 year resulted in misstatements of Receivables which was now partially corrected. Impairment was recalculated.

Cash

Prior year bank reconciliation was not performed. Differences were identified and rectified after the performance of the reconciliation.

Value Added Tax

The Value Added Tax portion of outstanding Consumer Debtors were previously allocated to Value Added Tax. Furthermore certain outstanding creditors accounts were not provided for previously, but now rectified.

Payables from Exchange Transactions

All the outstanding accounts as at 30 June 2013 were not previously provided. The largest of the omissions were the account of the Auditor General.

Notes to the Financial Statements

38. Prior period errors (continued)

Payables from Transfers

The amount forfeited to National Revenue fund in respect of Unspent Municipal Infrastructure Grant was not recorded. A misallocation of money received in advance previously disclosed as Consumer Deposits was corrected.

Consumer Deposits

A misallocation of money received in advance previously disclosed as Consumer Deposits was corrected.

Unspent Grants

Grant Funds spent as well as forfeited were not previously correctly disclosed.

Short and Long Term Provisions

The provision for Land Fill Site rehabilitation and Long Service Awards was previously disclosed as Short Term instead of Long Term. Furthermore the liabilities had not been updated for some years.

Long Term Liabilities and Finance Charges

The total payment towards long term liabilities was previously disclosed as Finance Charges instead of being allocated between capital and interest. Furthermore the Short Term portion was incorrectly calculated.

Opening Accumulated Surplus Errors

The Land fill Site, Long Term Liabilities, Long Service Awards, Finance Charges, Unspent Grants, Revenue, Payables from Exchange Transaction and various smaller adjustments resulted in restatement of the Opening Accumulated Surplus.

Revenue

Restatement relates mostly to Grant Revenue adjusted from Unspent Grants. Discounting has applied to Debtors from 2013 to disclose an interest received component.

Interest Received

Interest Received has been adjusted to reflect the effect of discounting on Debtors

Fair Value Adjustment

Originated from Actuarial Gain on Long Service Awards Liability

Expenses

Changes resulted from restatements in payables, land fill site, Long Services awards and various smaller adjustments.

Notes to the Financial Statements

Figures in Rand	2014	2013

38. Prior period errors (continued)

Statement of financial position

Property, Plant and Equipment	-	93 375 430
Receivables from non Exchange Transactions	-	(1 029 040)
Consumer Debtors	-	(5 284 261)
Cash	-	(19 852)
Value Added Tax	-	(634 597)
Intangibles	-	(22 350)
Payables from Exchange Transactions	-	2 827 698
Payables from Transfers	-	1 952 222
Consumer Deposits	-	(149 222)
Unspent Grants	-	372 032
Short Term Provisions	-	(653 423)
Short Term Portion of Loans	-	24 654
Prepayments Received	-	80 275
Long Term Liabilities	-	(42 063)
Long Term Provisions	-	2 935 065
Opening Accumulated Surplus or Deficit	-	(4 164 931)
Opening Accumulated Surplus/or Deficit reported in 2013	-	368 697

Statement of Financial Performance

Revenue	-	(1 783 077)
Other Income	-	(640 751)
Interest Received	-	359 605
Fair Value Adjustment	-	65 875
Finance Charges	-	(1 903 679)
Expenses	-	8 945 279

39. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

Figures in Rand	2014	2013

40. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The main source of these funds is National and Provincial Government.

41. Unauthorised expenditure

	2014	2013
Unauthorised expenditure	19 450 450	8 017 144

Details of unauthorised expenditure – current year

No unauthorised expenditure occures for the current year

42. Fruitless and wasteful expenditure

	2014	2013
Fruitless and wasteful expenditure	402 347	-

Relates to interest charged on arrear supplier accounts, mainly the Auditor General. This interest arose as a result of a dispute as to what the maximum chargeable audit fee is.

43. Irregular expenditure

	2014	2013
Opening balance	64 286 246	18 234 837
Add: Irregular Expenditure - current year	13 059 791	46 051 409
	77 346 037	**64 286 246**

44. In-kind donations and assistance

During 2013 financial year, Kgatelopele Municipality was assisted by National Treasury. The assistance was with regard of a full time advisor placed at the municipality tpo assist with financial management and reporting. As the advisor where paid by National Traesury the financial value of this assistance is not known to us.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2014	2013
Opening balance	11 000	111 000
Current year subscription / fee	450 000	400 000
Amount paid - current year	(450 000)	(500 000)
	11 000	**11 000**

Notes to the Financial Statements

Figures in Rand	2014	2013

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Distribution losses

Current year losses	5 153 281	4 895 855

Water		
Units lost in distribution:	215 267 kl	186 402 kl
Unit price per kl:	R0.20	R0.20
Value of losses:	R 43 134	R 37 280
Electricity		
Units lost in distribution:	5 455481 kwh	5376929 kwh
Cost per unit - kwh:	R0 .937	R0.904
Value of losses:	R 5 110 147	R 4 858 575

Audit fees

Opening balance	2 132 417	1 243 480
Current year subscription / fee	1 736 998	888 937
Amount paid - current year	(566 373)	-
	3 303 042	**2 132 417**

PAYE and UIF

Current year subscription / fee	1 807 970	1 757 223
Amount paid - current year	(1 807 970)	213 591
	-	**1 970 814**

Pension and Medical Aid Deductions

Current year subscription / fee	2 944 967	1 195 713
Amount paid - current year	(2 944 967)	620 813
	-	**1 816 526**

VAT

VAT receivable	4 313 454	1 721 142

All VAT returns have not been submitted by the due date throughout the year.

Figures in Rand	2014	2013

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
PM Mgcera	1 025	-	1 025
OH Sehularo	308	-	308
G McCarthy	1 737	2 087	3 824
A Visser	628	-	628
AS Adams	959	-	959
WH Cornellison	388	-	388
Y Kerneels	597	-	597
	5 642	**2 087**	**7 729**

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
PM Mcgera	475	-	475
OH Sehularo	540	-	540
G McCarthy	1 616	79	1 695
A Visser	1 088	-	1 088
AS Adams	1 350	-	1 350
WH Cornellison	960	-	960
	6 029	**79**	**6 108**

30 June 2014	Highest outstanding amount	Aging (in days)
G McCarthy	4 906	210

30 June 2013	Highest outstanding amount	Aging (in days)
G McCarthy	8 919	510
AS Adams	18 903	540
WH Cornellison	4 707	210
	32 529	**1 260**

46. Utilisation of Long-term liabilities reconciliation

	2014	2013
Long-term liabilities raised	1 870 511	3 021 405

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

47. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Goods and serviices were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Detailed Income statement

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	28 527 622	24 166 249
Fees earned		912 568	878 842
Commissions received		6 800	275 950
Rental income		321 274	274 131
Other income	22	943 653	1 343 477
Interest received - investment		1 135 531	412 236
Total revenue from exchange transactions		**31 847 448**	**27 350 885**
Revenue from non-exchange transactions			
Taxation revenue			
Direct taxes (Fines)		24 232	14 469
Property rates	19	3 452 723	1 927 401
Transfer revenue			
Government grants & subsidies		34 294 728	26 510 952
Total revenue from non-exchange transactions		**37 771 683**	**28 452 822**
Total revenue	18	**69 619 131**	**55 803 707**
Expenditure			
General Expenses	23	(8 112 574)	(7 957 065)
Personnel	24	(14 189 312)	(12 801 515)
Remuneration of councillors	25	(2 121 944)	(2 109 674)
Debt impairment	26	(4 022 020)	-
Depreciation and amortisation	28	(11 154 464)	(11 501 138)
Impairment loss/ Reversal of impairments		(1 617 638)	(9 523 796)
Finance costs	29	(286 481)	(328 821)
Repairs and maintenance		(1 442 463)	(1 861 352)
Contracted services	31	(3 408 647)	(2 924 346)
Grants and subsidies paid	32	(7 256 541)	(2 908 838)
Bulk purchases	33	(12 755 592)	(12 263 853)
Total expenditure		**(66 367 676)**	**(64 180 398)**
Operating surplus (deficit)		**3 251 455**	**(8 376 691)**
Fair value adjustments		148 777	65 875
Surplus (deficit) for the year		**3 400 232**	**(8 310 816)**

* See Note 2 & 38